Oil and Gas News Briefs
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OPEC+ agrees to extend production cutbacks into 2025

(Reuters; June 2) - OPEC+ agreed on June 2 to extend most of its deep cuts to oil production well into 2025 as the group seeks to shore up market prices amid tepid demand growth, high interest rates and rising rival U.S. output. Global oil prices have been trading near $80 per barrel, below what many OPEC+ members need to balance their budget. Worries over slow demand growth in top oil importer China have weighed on prices, alongside rising oil stocks in developed economies.

The Organization of the Petroleum Exporting Countries and allies led by Russia, together known as OPEC+, have made a series of deep output cuts since late 2022. OPEC+ members are currently reducing output by a total of 5.86 million barrels per day, or about 5.7% of global demand. Those include 3.66 million of cuts which were due to expire at the end of 2024, and voluntary cuts by eight members totaling an additional 2.2 million barrels per day, expiring at the end of June 2024.

On June 2, OPEC+ agreed to extend the cuts of 3.66 million by a year until the end of 2025 and prolong the cuts of 2.2 million by three months until the end of September 2024. OPEC will then spend one year on gradually phasing out the cuts of 2.2 million starting from October 2024 until the end of September 2025, the Saudi Energy Ministry said. "Now the market has clarity for almost 1.5 years," an OPEC+ delegate said.

Analysts had expected OPEC to prolong voluntary cuts by a few months due to falling prices and sluggish demand. But many analysts had also predicted it would struggle to set targets for 2025, as it had yet to agree on individual targets for each member. The United Arab Emirates, for instance, has been pushing for a higher production quota. The group agreed to a new output target for the UAE, which will be allowed to gradually raise production by 0.3 million barrels per day, up from the current level of 2.9 million.

OPEC+ agreement will add more oil to market next year

(Bloomberg opinion column; June 2) – After relentlessly pursuing $100 oil, the OPEC+ cartel has all but thrown in the towel. Whether it’s a tactical retreat or a strategic shift is still unclear. But for now, its impact would be the same: Oil prices would be somewhat lower and global inflation would ease. Over the weekend, the group announced a deal that, on paper, prolongs its complex layers of cumulative production cuts well into 2025.

But read the fine print, and the deal looks different. Under the pact, OPEC+ members will be able to start adding more barrels into the market this October, with significant increases in 2025. Based on the path published by Saudi officials, OPEC+ output would be more than 500,000 barrels a day higher by December than now, and about 1.8 million higher by mid-2025. More oil typically means lower prices, not the opposite.

Granted, OPEC+ said that output increases would be conditional on the market, so the deal is, for now, a statement of intent. But the mere fact the group is telegraphing its eagerness to pump more is telling, and it will affect market psychology. So will the fact that the United Arab Emirates won the right to pump more oil. Other OPEC+ members impatient to produce more weren't as lucky, but you can bet they'll cheat on their output limits. Put it all together, and OPEC+ has moved away from triple-digit-price hopes.

Slower growth expected in U.S. oil production this year

(Reuters; May 31) - U.S. oil drillers are sticking to pledges to temper their spending on boosting output, keeping the world's top crude producer on course for slower growth in 2024. The U.S. has driven growth in global oil supply from non-OPEC producers over much of the past decade due to the shale revolution and breakthroughs in technology and efficiency that have boosted output. Last year, U.S. crude output surprised to the upside, growing over a million barrels per day to 12.93 million barrels per day and well over the roughly 400,000 the government predicted at the start of 2023.

The government's latest forecast is for U.S. crude supply to rise by about 270,000 barrels per day this year. That is similar to OPEC's own forecast for U.S. crude and condensate output to grow by 300,000. The International Energy Agency expects higher U.S. output growth of 640,000 barrels per day. The three are the most closely watched forecasters, and all were well below last year's figure.

Overall U.S. output has changed little this year. Output in April was around 13.13 million barrels per day, down from 13.26 million in December. U.S. producers seem unlikely to surprise to the upside as they did in 2023, even as prices hover close to $80 a barrel, industry executives and analysts said. "Our customers are remaining very conservative and disciplined," said Paul Mosvold, chief operating officer at contract driller Scandrill. "It's been surprising that the rig count hasn't ticked up more given current prices."

Vermont tells fossil fuel companies to pay for climate change damage

(Associated Press; May 31) - Vermont has become the first state to enact a law requiring fossil fuel companies to pay a share of the damage caused by climate change after the state suffered catastrophic summer flooding and damage from other extreme weather. Republican Gov. Phil Scott allowed the bill to become law without his signature on May 30, saying he is concerned about the costs and outcome of the small state taking on Big Oil alone in what will likely be a grueling legal fight. But he acknowledged that he understands something has to be done to address the toll of climate change.

Scott, a moderate Republican in the largely blue state of Vermont, recently announced that he's running for reelection to a fifth two-year term. He has been at odds with the Democrat-controlled Legislature, which he has called out of balance, and was expected by environmental advocates to veto the bill — but then allowed it to become law.

Under the legislation, the state treasurer, in consultation with the Agency of Natural Resources, would provide a report by Jan. 15, 2026, on the total cost to Vermonters and the state from the emission of greenhouse gases from Jan. 1, 1995, to Dec. 31, 2024. The assessment would look at the impacts on public health, natural resources, housing, agriculture, economic development and other areas. The state would use federal data to determine the amount of emissions attributed to a fossil fuel company. It's a polluter-pays model aimed at companies engaged in extracting fossil fuel or refining oil.

Japan has restarted a dozen nuclear plants, but not its largest

(Bloomberg; May 28) - On Japan's windy western coast, in a region known for heavy snowfall and sake brewing, the world's largest nuclear plant sits idle. The Kashiwazaki Kariwa Nuclear Power Plant, a sprawling 45-million-square-foot complex by the sea, was once the crown jewel in Japan's strategy to boost atomic power to 50% of the country's energy mix by 2030. Inside, a framed certificate from Guinness World Records acknowledges the facility's potential output of 8.2 gigawatts as the most globally.

Right now, that output — enough to power more than 13 million households — is zero. The seven reactors were shuttered after the 2011 tsunami and meltdown at the Fukushima Dai-Ichi plant in eastern Japan that prompted the government to rethink its dependence on nuclear energy. That decision is proving costly: resource-poor Japan spends more money importing coal, liquefied natural gas and other energy sources — about 27 trillion yen ($172 billion) last year — than it makes exporting cars.

Now, with the country looking to boost its economy by courting chip makers and energy-hungry AI data centers, a debate is heating up over whether the rectors and their owner, Tokyo Electric, deserve a second chance. It's not just Japan taking a renewed look at nuclear: In one scenario, the International Atomic Energy Agency forecasts that global capacity to generate electricity from nuclear plants could rise 24% by 2030 and 140% by 2050, from 2022. At least 15 countries are building new reactors.

Yet restarting idled reactors in Japan is proving politically difficult. In 2017, two idled reactors at Kashiwazaki Kariwa, known as KK, won approval from the nation's nuclear regulator to resume operations, yet neither the company nor the national government has set a date on when that could happen since they have yet to secure the local government's endorsement. While Japan has restarted other reactors — 12 since 2011 — restarting anything at KK under Tokyo Electric management is controversial.

Saudi Aramco reportedly in talks for investment in U.S. LNG

(S&P Global; May 30) - Saudi Aramco is considering major investments in two U.S. liquefied natural gas export projects as part of a broader push by the state-owned oil giant to build a global LNG business, according to sources familiar with the matter. Aramco's talks are centered on expansion proposals at Sempra's Port Arthur LNG terminal and NextDecade's Rio Grande LNG terminal, both in Texas, sources said. Both projects have reached positive final investment decisions to proceed to construction on their initial phase, with expansion decisions pending.

The volumes being discussed with Saudi Aramco are substantial, sources said, involving roughly one liquefaction train worth of capacity from Port Arthur and more than one-half train's worth of capacity from the Rio Grande project. Sources described Aramco's pursuit of a "big" U.S. LNG offtake position as part of its "aggressive" strategy toward developing an LNG business, with equity positions also being considered.

Aramco announced its entry to the global LNG business in September 2023 through its acquisition of a minority stake worth $500 million in EIG-managed MidOcean Energy, which in 2024 completed acquisitions of stakes of LNG projects in Australia and Peru. Saudi Aramco's annual report for 2023 said it expects strong demand-led growth for LNG. The two-train second phase of Port Arthur would double production capacity of the project to 27 million tonnes per year. NextDecade's Phase 2 involves adding two trains to Rio Grande, which also would bring production capacity to 27 million tonnes.

Algeria ready to partner with oil majors to boost gas production

(Bloomberg; May 30) - Algeria is close to signing a deal with Chevron as the OPEC member aims to increase natural gas exploration and production and remain a key supplier of the fuel to Europe. State-run energy firm Sonatrach will ink the agreement to develop a large hydrocarbons field "within the next few days," Energy Minister Mohamed Arkab said in an interview with state TV on May 29.

Before year-end, the country will also sign contracts with ExxonMobil to develop "very important fields that will make a very significant addition to the production of natural gas in Algeria," he added. Algeria's energy sector has seen a rebound after Russia's invasion of Ukraine as it stepped in when Europe was struggling to find alternative supplies. Italy, Spain and Germany have signed deals to boost purchases from the North African nation that now accounts for about 14% of the European Union's total imports of pipeline gas and LNG, according to the EU's latest market data.

Algeria has some of Africa's largest oil and gas reserves, but production has long been held back by mismanagement and a lack of investment until it made sweeping reforms in its hydrocarbons and investments laws from 2020. Arkab said the new laws improved the investment climate in Algeria and helped the country clinch deals with Equinor, Eni and Occidental Petroleum. Algeria is stepping up exploration efforts and has made eight large discoveries so far this year, with the aim of raising production to 7 trillion cubic feet of gas per year in the short to medium term from 4.8 tcf currently, he added.

Texas LNG developer asks FERC for more time; blames Sierra Club

(Energy Wire; May 31) - The developer of a liquefied natural gas export terminal in South Texas is asking federal energy regulators for five more years to put the project into operation, citing a prolonged court fight. In a letter to the Federal Energy Regulatory Commission, an official with the Texas LNG project planned for Brownsville said the proposal has been held up by "extenuating circumstances outside of Texas LNG's control." FERC a week ago approved a Mississippi LNG export project developer's similar request for a five-year extension on its deadline to start operations.

Oscar Lopez, regulatory and permitting manager for Texas LNG, said litigation from the Sierra Club over FERC's authorization of the project has persisted for several years. That has led to ripple effects in a variety of areas, including marketing, regulatory and construction issues, he wrote in the letter last week. Earlier this month, the U.S. Court of Appeals for the District of Columbia Circuit heard arguments over the Texas LNG project — as well as Next Decade's Rio Grande LNG terminal — and whether FERC has adequately reviewed how the projects could affect climate change and air quality.

Texas LNG is asking FERC to delay the deadline to complete construction and have it in service from November 2024 until November 2029. Adam Prestidge, executive vice president LNG at the project developer, New York City-based Glenfarne Energy Transition, said the venture is scheduled to reach a final investment decision and begin construction in the fourth quarter of 2024. Commercial operations are expected to start in 2028, he said. The facility is planned for 4 million tonnes annual production capacity.

Opponents of tax breaks for Texas LNG plants appeal to county

(Rio Grande Guardian; Texas; May 30) - Liquefied natural gas project tax abatements are a bad deal for Cameron County, according to a new report from the South Texas Environmental Justice Network. This group, along with Valley Interfaith and members of the Carrizo/Comecrudo Tribe of Texas, delivered copies of the report to the offices of Cameron County commissioners on May 29. Before delivering the report, they held a press conference outside Cameron County Courthouse.

“Both Texas LNG and Rio Grande LNG have already gained federal approval for their projects located at the Port of Brownsville. Tax abatement as a means of incentive to locate are entirely unnecessary. These export terminals must pay their full share of tax in order to provide Cameron County with the revenue needed to mitigate whatever damage they would cause to the county’s people and environment,” the report states.

According to the report, Rio Grande LNG would get an abatement of $37.3 million per year for the next 10 years under a proposal that will go before Cameron County Commissioners Court early next month. According to the report, Texas LNG would get an abatement of $3.4 million per year for the next 10 years, under a proposal that will go before the county commissioners early next month.

Report cites strong growth in Southeast Asia gas-fired power

(Agence France-Presse; May 30) - Southeast Asia is on track to vastly expand its gas-fired power plant and liquefied natural gas import capacity, threatening its green-energy transition, a report warned May 30. The region's existing plans project a doubling of gas-fired power capacity and an 80% increase in LNG import capacity, said Global Energy Monitor, a U.S.-based NGO. Natural gas emits less carbon dioxide than most other fossil fuels and is often considered a "transition fuel" that can help economies reduce emissions without sacrificing growth.

But methane leaks from the gas industry are a key component of climate change, and the International Energy Agency has warned that LNG should only have a "limited role" in moving away from coal. "Beating coal on environmental grounds sets a low bar for natural gas, given there are lower-emissions and lower-cost alternatives to both fuels," the IEA said in 2019. Leading the LNG expansion in Southeast Asia are Vietnam, the Philippines, Indonesia and Thailand, the Global Energy Monitor report said.

The area already has enough large-scale solar and wind capacity in development to cover nearly two-thirds of the projected increase in energy demand by 2030, GEM added. It acknowledged, however, that renewables potential is unevenly distributed across the region. And grid infrastructure regionally is a barrier, with upgrades needed to handle renewables. That might make LNG appear more attractive, particularly where existing coal or diesel power plants can be converted. “But ramping up gas production is not a long-term solution," said Warda Ajaz, of GEM's Asia Gas Tracker.

USGS report downplays potential of remote Alaska offshore basin

(Energy Wire; May 30) - Drillers could tap an estimated 1.8 billion barrels of crude oil from an area deep in the Arctic Ocean, but that’s not likely, according to a U.S. Geological Survey assessment released May 29. The Northern Chukchi Basin lies 150 miles north of Alaska's coastline, straddling the exclusive economic zones of the U.S. and Russia, as well as waters in the Arctic Circle beyond either country's domain. The basin also could hold roughly 120 trillion cubic feet of natural gas, according to USGS.

Relative to the size of the area, the basin's oil and gas resources are likely not enough to stoke industry interest or turn policymakers' heads in Washington, said David Houseknecht, a senior research geologist at USGS and one of the authors of the assessment. "There are estimates of undiscovered resources, both onshore and offshore, closer to Alaska that makes this look puny," he said.

But the assessment provides the State Department more information about the region's resources and potential future security issues, given a number of exploration licenses in Russian waters, Houseknecht said. Drilling in parts of the Arctic Ocean, like the Chukchi Sea, has long been opposed by environmental groups, despite interest from Alaska's political leaders. The high expense of drilling in those waters — and strict federal rules for development — has also dampened commercial interest in recent years.

"The area is ice-covered for much of the year," he said. "It's far from infrastructure. It's far from the coast." No exploration wells have been drilled in the North Chukchi Basin to date. Besides, development in the Chukchi's U.S. waters is off-limits per an executive order issued by then-President Barack Obama.

India's oil imports rising to record high; Russia with 38% share

(Reuters; May 30) - Asia's imports of crude oil rose to the highest in 12 months in May, with the strength being driven by India as the region's second-biggest buyer is on track to see record cargoes. The world's top crude importing region is expected to see May arrivals of 27.81 million barrels per day, up from 26.89 million in April, according to data compiled by LSEG Oil Research. The bulk of the gain is from India, where imports are expected to rise to an all-time high of 5.26 million barrels per day, up 710,000 in April.

In contrast to the strength in India, imports by China, the world's biggest crude importer, continued to trend weaker, with May arrivals slated at 10.72 million barrels per day, down from 10.93 million in April, and the lowest on a per-day basis since January. Within the steady picture that is emerging for Asia's overall crude imports so far this year, it's worth noting the contrasting fortunes of India and China.

Part of India's robust performance can be attributed to a strong economy, with gross domestic product expanding. A further factor supporting India's crude oil imports is the ongoing availability of discounted Russian crude, with arrivals from the Western-sanctioned country being pegged by LSEG at 1.96 million barrels per day in May, up from 1.6 million in April. This gives Russia a 38% share of India's imports, almost double the next biggest supplier, Iraq.

High temperatures drive up LNG demand and prices in South Asia

(Reuters; May 31) - Extreme temperatures across Asia are driving up liquefied natural gas demand in the region as importers seek cargoes ahead of summer, with imports in South Asia hitting records. This could tighten available supply and further lift Asian spot prices that have already gained a third since April, with heat waves across South and Southeast Asia boosting air conditioner use and other cooling demand. Prices are now at a near six-month peak at $12 per Btu and are expected to remain elevated.

"Spot prices are now driven by Asian demand. Temperatures in South Asia are rising due to a heat wave, increasing power demand," said Siamak Adibi, principal consultant at energy consultancy FGE. While China may still see lower demand compared with its record-breaking shipments in 2021, demand from India and the rest of Asia has compensated for any drop-off, Adibi said.

Parts of South and Southeast Asia saw extreme heat and record temperatures in April and May, increasing electricity consumption for cooling and straining power supplies. South Asian LNG imports rose nearly 20% from a year earlier to 3.8 million tonnes in May, according to analytics firm Kpler. India saw its highest import levels ever for May at 2.4 million tonnes, while Bangladesh LNG volumes hit an all-time monthly record at 0.6 million, according to Kpler data. New importers the Philippines and Vietnam, which started taking LNG shipments last year, have also bumped up their purchases.

Canadian gas line developer looks to sell bonds to refinance debt

(Bloomberg; May 31) - A Canadian pipeline that's partially owned by global investment firm KKR & Co. is set to kick off what's likely to be the biggest corporate bond deal in the country's history. Coastal GasLink, a gas pipeline that will feed an LNG export project under construction on the British Columbia coast, is preparing to borrow as much as C$4 billion — a record for Canadian-dollar corporate bonds — in early June, according to people familiar with the matter. The funds will refinance debt supporting the construction of the 416-mile gas pipeline, the sources said.

Since its inception 12 years ago, the Coastal GasLink project has faced both regulatory and political battles — including between some Canadian Indigenous groups and the government — as well as labor and contractor challenges. Over the past decade, the pipeline's cost has more than doubled to C$14.5 billion from an estimated C$6.6 billion. Coastal GasLink's upcoming bond offering is expected to be part of a larger $9 billion fixed-income financing plan for the pipeline, as Bloomberg previously reported.

"Obviously the larger size of the deal is a challenge, but if the deal is split in a few right-sized tranches and if it's priced appropriately with enough new issue concession versus secondary comparable, it should go well," said Imran Chaudhry, senior portfolio manager for fixed income at Fiera Capital Corp. Coastal GasLink will move gas from the

Montney shale formation in Western Canada to the Shell-led LNG Canada terminal on the West Coast. The export terminal is expected to ship its first cargo next year.

Report criticizes lack of royalty on offshore Australia gas

(Gas World; May 30) - No royalties are paid on 56% of the gas exported from Australia, including 73% of gas exported from Western Australia, according to the Australia Institute. Over the past four years, multinational companies made A$149 billion exporting “royalty-free gas” and at least A$13.3 billion in revenue could have been raised had royalties been charged, the institute claims in a new report.

About 80% of Australia’s gas production is exported as liquefied natural gas, mostly extracted from fields in commonwealth waters, where there is no royalty charged, the report said. The value of LNG exports since 2020 is estimated at A$265 billion. “The government has failed to levy royalties on gas feeding six of the seven offshore gas LNG export terminals operating in Western Australia and the Northern Territory. This means over half the gas exported from Australia is royalty free,” the report said. The federal government does levy a tax after a developer has recovered its project costs.

In 2022-2023, at a time of record-high LNG prices due to Russia’s invasion of Ukraine, the LNG export industry paid a total of A$2.8 billion in royalties to national and state governments, representing 3.8% of the $71 billion value of the LNG it exported during that period. For comparison, the iron ore industry paid over $10 billion in royalties to the West Australian state government alone in 2021-2022, at a rate of 7.5% of the value of the ore sold, the institute reports.

Conoco deal for Marathon good for cash-flow focused investors

(Wall Street Journal; May 30) - Oil-patch consolidation has been a big game of musical chairs: No one wants to be left standing. ExxonMobil and Chevron, the largest U.S. producers, picked their targets last year. On May 29, the third-largest producer by market value — ConocoPhillips — had its latest turn, agreeing to buy Marathon Oil in a deal that values its stock and debt at $22.5 billion. Once the deal closes, Conoco’s market value will edge closer to that of the French oil major, TotalEnergies.

The price tag itself is unremarkable, representing a 15% premium to Marathon’s closing share price before the news. What does stand out about the deal is that it isn’t exactly transformative for Conoco. For one, it doesn’t lengthen inventory life as Exxon did by buying Pioneer. Marathon’s is shorter than Conoco’s own, according to Andrew Dittmar, principal analyst at Enverus Intelligence Research. Secondly, acquiring Marathon doesn’t give Conoco substantial exposure to new frontiers, as Chevron would with Hess’s Guyana reserves. Marathon’s assets mostly align with Conoco’s own footprint.

There is, however, a lot for cash-focused investors to like: Marathon’s more mature asset base means it requires a lower level of reinvestment, according to a report from Citi. The deal should give Conoco a substantial cash flow boost and is expected to be immediately accretive to Conoco’s earnings per share. One area that could attract antitrust scrutiny, however, is the companies’ Eagle Ford positions. The two are set to become the largest operator in the basin, accounting for about 20% of production based on their gross operated volumes in the fourth quarter of 2023, according to Dittmar.